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For Immediate Release
September 13, 2004

LEADER OF INSURANCE FRAUD SCAM ARRESTED IN CANADA

More than \$20 Million Collected for Bogus Policies

SACRAMENTO--United States Attorney McGregor W. Scott and California Insurance Commissioner John Garamendi announced the arrest of JOHN DOE aka ROBERT LEWIS BROWN ("BROWN"), 58, whose true identity is unknown, on charges relating to an insurance fraud scheme that allegedly netted more than \$20 million over the last four years. BROWN has most recently resided in Ireland and Barbados. The Federal Bureau of Investigation ("FBI"), Internal Revenue Service - Criminal Investigation ("IRS-CI"), and California Department of Insurance, Investigations Division have investigated this case. BROWN was arrested September 9, in the early morning, outside Toronto, Canada by the Toronto Metropolitan Fugitive Squad based on immigration charges and a U.S. arrest warrant. The criminal complaint filed in Sacramento charges the defendant with conspiracy, mail fraud, money laundering, and making false statements relating to an insurance fraud scheme.

The arrest culminated an international effort by the United States to investigate and arrest BROWN, who was traveling in Canada when arrested. At the request of the United States, foreign authorities have frozen bank accounts allegedly tied to the scheme. In addition, authorities are taking steps to search and freeze real property in St. Vincent and the Grenadines, Ireland and Barbados.

Tri-Continental Exchange, Limited ("TCE") Fraudulent Operations

According to Assistant U.S. Attorney Robin Taylor who is prosecuting the case, the complaint alleges that TCE and Combines Services, Limited ("CSL") were off-shore companies operated by BROWN in St. Vincent and the Grenadines. TCE and CSL sold bogus insurance policies throughout California, and elsewhere, falsely representing that the policies were backed by a pool of legitimate, licensed, and rated insurance companies, including Nationwide Mutual Insurance Co. and Globe Indemnity Company. Although these "backing" companies are legitimate, neither TCE nor CSL had any business relationship with them and were not authorized to issue policies using their names. Since January 2000, BROWN has issued and renewed fraudulent insurance policies in California, and elsewhere, and TCE has collected millions of dollars in premiums for these policies. The case is being investigated jointly by FBI

Special Agent John Sommercamp, and IRS Special Agents Jason Lamb and Christopher Fitzpatrick. The California Department of Insurance also assisted with the investigation.

Assumed Identity

BROWN allegedly assumed the identity of "Robert Lewis Brown" in 1994. According to State of Ohio records, "Robert Lewis Brown" was born in Akron, Ohio, on August 26, 1946, and according to a death certificate he died on September 2, 2001, in Las Vegas, Nevada. BROWN has been using a United States Passport issued to "Robert Lewis Brown," which was issued and renewed based on personal information of the now deceased "Robert Lewis Brown." Documents containing the personal identification information for the deceased "Robert Lewis Brown" were found on BROWN's person when he was arrested. BROWN's wife, known as Shirley Darlene Whitaker, also appears to be living under an assumed identity.

The International Money Trail

The criminal complaint alleges that, based on these misrepresentations, BROWN collected more than \$20 million in insurance premiums from customers throughout the United States. According to the Complaint insurance brokers, agents, and customers were directed to send their checks to addresses in Phoenix, Arizona, which were actually postal mail boxes. The checks were forwarded to St. Vincent and the Grenedines, and from there were routed to a bank account controlled by BROWN in Blaine, Washington. At that point, some of the money was funneled to foreign bank accounts in States of Jersey, St. Vincent and the Grenedines, Barbados, and elsewhere.

Cease and Desist Orders and Civil Action

At least eight states have already issued cease and desist orders against TCE, CSL, BROWN and others for selling insurance without a license. In 1996, the Superintendent of Insurance in Ontario, Canada, issued a cease and desist order against BROWN and TCE for carrying on the business of insurance without a license. Further, in 2001, Nationwide Mutual Insurance Company obtained a preliminary injunction against TCE in U.S. District Court for trademark infringement.

"I commend all of the enforcement agencies involved in this case for their work to apprehend this suspect and break up a destructive insurance fraud scheme. Protecting consumers and ridding the state of this type of costly, illegal activity will continue to be a top priority at the Department of Insurance," stated California Insurance Commissioner Garamendi.

According to United States Attorney Scott, "The United States Attorney's Office is pleased to have joined with the FBI, IRS, and California Department of Insurance to target this insurance fraud scheme. Our vigorous prosecution efforts should serve as notice to others who would attempt to engage in this type of insurance scam."

If convicted, BROWN faces 5 years in prison for the conspiracy, mail fraud, and making false statements, and may be fined not more than the greater of twice the gross gain or twice the

gross loss caused by the fraud. For the money laundering offenses, BROWN faces 20 years in prison and a fine of not more than twice the value of the monetary instruments.

The criminal complaint contains only allegations and the defendant is presumed innocent until proven guilty at trial. The defendant now awaits extradition to the United States.

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